

Fiscal Year 2014

Missouri

Budget &
Legislative Priorities

Jeremiah W. (Jay) Nixon - Governor

GOVERNOR'S MESSAGE



GOVERNOR OF MISSOURI
JEFFERSON CITY
65102

JEREMIAH W. (JAY) NIXON
GOVERNOR

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January 28, 2013

TO THE GENERAL ASSEMBLY AND THE PEOPLE OF MISSOURI:

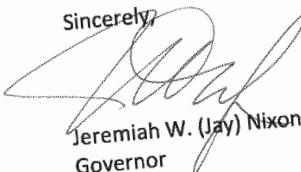
During my first term as Governor, we worked together to move Missouri forward and maintain strong fiscal discipline. That hard work is paying off. Missouri employers added more than 40,000 jobs last year. Missouri exports continue to climb and home construction is rebounding. Missourians are once again investing in the future.

Together, we have balanced the budget for the past four years and we have held the line on taxes. As a result of our focus on fiscal discipline, Missouri is one of only a few states to hold a spotless AAA credit rating from all three rating firms. This sound financial management will allow us to invest in key priorities in the upcoming budget.

Our top priorities will continue to unite us – investing in education, creating jobs for Missourians, growing our economy and keeping our fiscal house in order.

- **Investing in education from the earliest years through college:** We will increase funding for early childhood education, provide record funding for K-12 classrooms, expand A+ Scholarships statewide, and provide funding tied to improved outcomes for higher education.
- **Helping businesses grow and create jobs:** By streamlining the state's business incentive programs, cutting bureaucratic red tape, and ramping up efforts to help businesses ship their goods around the globe, we will continue to make Missouri a better place for businesses to invest and create jobs.
- **Keeping our tax dollars here at home:** Missouri has a choice: we can put our federal tax dollars to work here in Missouri by covering more people through Medicaid or send those tax dollars to provide health care in other states. Keeping them here is the smart thing to do for our economy and the right thing to do for Missouri families.
- **Improving critical public facilities:** By capitalizing on Missouri's AAA credit status and enacting legitimate tax credit reform, we can invest in critical projects to keep Missouri moving forward.
- **Making government more efficient:** We will invest in technology and continue to streamline operations and make government smarter and smaller.
- **Balancing the budget while holding the line on taxes.**

Ensuring the welfare of the people is not only our state motto, but our guiding principle. I look forward to working with you on the important decisions that are before us. Together, we will keep Missouri moving forward.

Sincerely,

Jeremiah W. (Jay) Nixon
Governor



ACCOMPLISHMENTS

“ When we come together – stand together – work together, there is no limit to what Missourians can accomplish. ”

~ Governor Jay Nixon

LEADERSHIP:

- Balanced the budget without raising taxes.
- Cut \$1.8 billion in state spending.
- Retained Missouri's AAA bond rating.
- Trimmed the state's payroll by more than 4,300 positions.
- Placed more services online to save time and money for taxpayers.
- Reduced the administrative costs of state government.

JOBS:

- Rated as one of the top U.S. states for business.
- Began phase-out of the state's corporate franchise tax over five years.
- Called a special session to pass the Missouri Automotive Manufacturing Jobs Act and announced historic investments by Ford and General Motors to save thousands of jobs and create more than 3,200 new jobs.
- Secured a significant funding increase, over 30 percent, for customized job training.
- Signed legislation providing small businesses a tax deduction to encourage job creation.
- Signed agreements to export more Missouri goods to China and signed the state's first trade agreement with São Paulo, Brazil.



Governor Nixon greets WWII veterans at the Mexico Veterans Home after signing legislation ensuring a dedicated funding source for Missouri's veterans homes.

EDUCATION:

- Secured a tuition freeze at higher education institutions for two years in a row.
- Provided record funding for K-12 classrooms.
- Invested millions of dollars in Training for Tomorrow, an initiative at Missouri community colleges to develop the workforce of the future.
- Launched and expanded the Caring for Missourians initiative to increase the number of students preparing for high-demand health care careers.
- Expanded A+ Scholarship funding to record levels so every student who earns the scholarship receives the funding they deserve.
- Established the Innovation Campus grant program to train students for career opportunities in high-demand fields, cut the time it takes to earn a college degree and reduce student debt.



Governor Nixon, President Obama and C.J. Huff, Joplin Superintendent of Schools, stand for the Pledge of Allegiance at the 2012 Joplin High School commencement ceremony.



Governor Nixon and First Lady Nixon visit with Callaway County farmers Jay and Kim Fischer on Thank a Farmer Day, recognizing the hard work and commitment of Missouri farmers.

HEALTHY FAMILIES:

- Provided insurance coverage for the most effective treatment for children with Autism Spectrum Disorders.
- Launched the Partnership for Hope program to support Missouri families caring for loved ones with developmental disabilities.
- Reauthorized Missouri Rx to help low-income seniors and those with disabilities afford essential prescription medicine.
- Provided a dedicated funding source for Missouri's seven veterans homes.
- Strengthened laws against the financial exploitation of seniors and persons with disabilities.

DISASTER RECOVERY:

- Established the Missouri Disaster Recovery Jobs Program to create temporary jobs for unemployed workers.
- Launched the Governor's Faith-Based Community Service Partnership for Disaster Recovery to respond in the wake of multiple disasters.
- Directed the Missouri National Guard to coordinate and supervise the state's efforts in responding to historic Missouri River flooding.
- Established Jumpstart Joplin to support the construction and rehabilitation of homes for working families and provided new business recovery resources for Joplin employers.
- Established the Emergency Cost-Share Program to provide relief for farmers facing critical water shortages.

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LEADERSHIP



Governor Nixon thanks the people of Missouri for the privilege of serving a second term as their Governor during the official 2013 Inaugural Ceremony at the Missouri State Capitol.

During his first term, Governor Nixon provided strong leadership to keep Missouri's budget balanced and our state moving forward. Working with the General Assembly, he held the line on taxes, cut spending, and made state government smaller, smarter and more efficient.

Transforming State Government

Governor Nixon continues to review Missouri state government operations to consolidate and reduce administrative costs while focusing departments on delivering the services central to their statutory missions. The Governor's Fiscal Year 2014 budget reduces the state payroll by another 190 positions, bringing total staff reductions to over 4,500 since he took office. Governor Nixon will also examine opportunities to consolidate state programs that will cut bureaucracy, reduce administrative costs and better serve taxpayers and the business community.

Continuing Sound Fiscal Management

Governor Nixon's first term required early, decisive action to lead Missouri through recent economically challenging times. Missouri retains its AAA rating from all three rating agencies – one of only a few states in the nation. Governor Nixon will continue sound fiscal management by working with the state legislature to:

- Enact a tax credit reform package that better manages the state's economic incentives.
- Adopt a Streamlined Sales Tax Agreement with other states to level the playing field for local retailers competing with Internet and catalog sales.
- Increase collections for out-of-state vendors by adopting the same tax-obligation standards as other states.
- Provide a one-time opportunity for delinquent taxpayers to pay outstanding taxes.

First Term

Administrative Efficiencies

- Consolidated state agencies.
- Downsized the state workforce.
- Reduced the number of boards and commissions.
- Sold unused state property.
- Cut the state's vehicle fleet.
- Eliminated unused office space.
- Saved millions on state utility bills.
- Negotiated better deals on building leases.
- Improved Internet and web technology.
- Placed more services online.
- Reduced state employee travel.
- Eliminated automatic increases in procurement contracts.
- Consolidated Medicaid fraud investigation efforts.



Governor Nixon delivers his State of the State Address to the General Assembly.

Enacting Responsible Contribution Limits

Throughout his career in public service, Governor Nixon has been a strong proponent of transparent and accountable government. To strengthen the credibility of Missouri's elected officials and the confidence of those they serve, the Governor proposes ethics legislation that includes four key elements:

- Enforces strict campaign contribution limits.
- Eliminates committee-to-committee transfers.
- Prohibits officeholders from taking money under the guise of "political consulting."
- Closes the revolving door between the legislature and lobbying.

“Once again, our steadfast fiscal discipline is truly paying off for the people of Missouri because we've balanced our budgets, held the line on taxes and kept our fiscal house in order. ”

~ Governor Jay Nixon

JOBS



Governor Nixon helps break ground for the new headquarters of Freightquote on the south side of Kansas City. The expansion of the company in Missouri is expected to create more than 1,300 new jobs over the next four years.

“ Missouri’s stable and competitive business climate is helping to move our economy forward, while creating jobs and prosperity for more Missourians. ” ~ Governor Jay Nixon

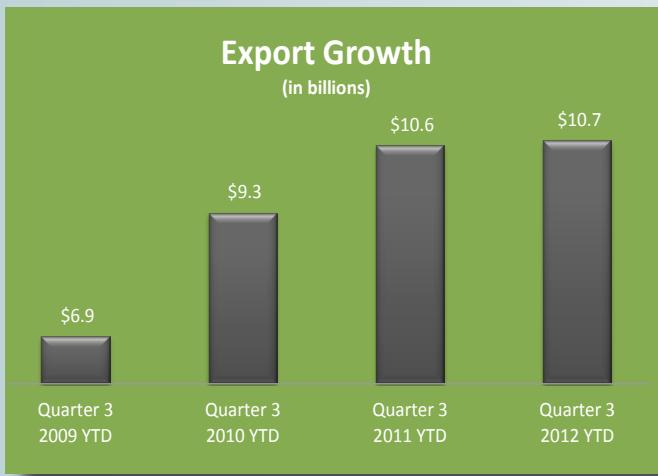
Governor Nixon’s top priority continues to be creating jobs for Missourians. The state’s economy is improving – Missouri businesses are hiring, the state’s exports are accelerating and companies are looking to expand.

Giving Missouri a Competitive Edge

During his first term, the Governor worked with hundreds of business, labor, local government and education leaders in every corner of the state to develop a growth plan for Missouri. The Strategic Initiative for Economic

Growth is a road map to jobs, economic growth and prosperity. It focuses on seven targeted industries poised to create jobs and eight strategic objectives to drive economic growth. The Strategic Initiative for Economic Growth forms the basis of Governor Nixon’s jobs proposals.

The Governor will work with the General Assembly to give Missouri a competitive edge in creating jobs and spur capital investment across the state. The Governor’s proposal



will streamline the state's business incentive programs, cut bureaucratic red tape and ensure accountability and budget certainty.

Strengthening Job Training Efforts

Training for workers is a top priority for companies looking to create or retain jobs. To help Missouri maintain a highly-skilled and competitive workforce, Governor Nixon proposes:

- \$2 million in additional funding for the Customized Training Program, a 50 percent increase in total funding since 2009.
- Streamlining the state's three separate industry training programs to be business-friendly and marketable to companies looking to relocate or expand.
- Enhancing the level of services designed to improve worker skills.

Public Improvement Projects

Governor Nixon supports taking advantage of record low-interest rates to fund priority projects which will improve K-12 education, state

parks, college research facilities and buildings at Fulton State Hospital. He will work with the General Assembly on a targeted and fiscally responsible bond issuance, paid for through savings achieved from tax credit reform.

Export Missouri

Because exporting Missouri products overseas creates jobs here at home, Governor Nixon has made expanding Missouri exports to other countries a top priority. Exports have grown every year since 2009 and reached record levels. The Governor's Fiscal Year 2014 budget includes an additional \$2.3 million to help businesses expand their markets and increase sales overseas.

Promoting Missouri's Tourist Attractions

Missouri boasts beautiful state parks, thriving metropolitan centers and many family-friendly attractions. An investment in tourism creates jobs, brings families to Missouri and generates additional resources to keep our state moving forward. Governor Nixon's Fiscal Year 2014 budget includes an additional \$6 million to enhance efforts to showcase Missouri through partnerships with the travel and tourism industry.



Governor Nixon and First Lady Nixon enjoy opening day of trout season at Roaring River State Park.

EDUCATION



Governor Nixon encourages Missouri students to be part of the A+ Schools Program, which has helped thousands of graduates earn a post-secondary degree.

Governor Nixon knows the importance of quality public education and understands that education is key to finding a good job in today's competitive economy. He is dedicated to ensuring that every Missouri child has access to a world-class education.

Early Childhood Education Investments

The results of investing in early childhood education are clear – improved academic achievement, higher-paying jobs and a lower reliance on public assistance. Governor Nixon believes that early childhood education is a

smart investment with a big return. His Fiscal Year 2014 budget includes the following for early childhood education:

- \$10 million for additional grants to prepare children for kindergarten through the Missouri Preschool Program.
- \$7 million to restore funding for Missouri's Early Head Start programs and incentive grants for accredited providers.
- \$1.5 million in additional funding for the First Steps Program.

“Nothing will have a greater impact on our children’s future than the commitment we make today to their education.”

~ Governor Jay Nixon

Increased Educational Opportunities for K-12 Classrooms

Under Governor Nixon's leadership, state support for Missouri's public elementary and secondary schools remains a priority. The Governor's Fiscal Year 2014 budget includes over \$100 million in new funding – a record level for K-12 classrooms.

More time in the classroom is linked to higher student achievement. Missouri students are currently required to attend 174 days – the fourth shortest school year in the country. Governor Nixon is calling for Missouri to extend its school year.

Governor Nixon's budget also includes an additional \$1.5 million to increase the number of teachers working in the state's academically struggling schools.

Higher Education Funding

More Missourians than ever before are graduating from college, and Missouri has led the nation in holding down tuition costs. This year, Governor Nixon will take additional steps to help Missouri's colleges and universities become centers of excellence and efficiency, while expanding access to affordable opportunities for all students. The Governor's Fiscal Year 2014 budget includes an additional \$34 million in incentive funding for higher education based on institutions' achievement of improved outcomes. This new funding model, developed in collaboration with the state's public two- and four-year institutions, will allocate funding based on specific measures of student success and progress, degree completion, professional certification, financial responsibility and efficiency.



Governor Nixon, Dr. Michael Nietzel and President Clif Smart survey construction progress at Missouri State University. Photo Credit: MSU Photographic Services

Funding for Higher Education Scholarships

Missouri's scholarship programs keep the best and brightest students in the state and help families afford the cost of college. Governor Nixon's Fiscal Year 2014 budget includes:

- \$1 million in additional funding to expand A+ scholarship opportunities for students graduating from any public high school.
- \$75.1 million in level funding for the Access Missouri Financial Assistance Program and the Bright Flight Program.

New Option for Adult Students

Western Governors University (WGU) is an accredited, non-profit online university founded in 1997 that is an affordable, flexible option for adult workers. Governor Nixon supports creating WGU-Missouri to expand access to higher education through online, competency-based degree programs in teaching, business, information technology and health professions.

HEALTHY FAMILIES



Governor Nixon meets with visually-impaired Missourians as he advocates against program funding cuts for disabled individuals.

“ It’s the smart thing to do, and it’s the right thing to do. ”

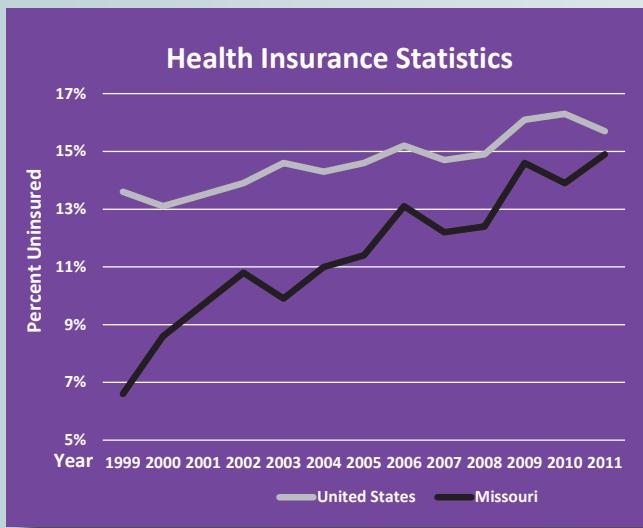
~ Governor Jay Nixon

To further his commitment to address the critical issue of the growing number of uninsured citizens, Governor Nixon is seizing the opportunity to provide health care coverage in a fiscally-responsible manner.

Strengthening Missouri’s Medicaid System

This year presents a unique opportunity to reduce the number of Missourians without health insurance and strengthen Missouri’s economy. In November 2012, Governor Nixon laid out his plan to expand health care coverage to 300,000 uninsured working Missourians.

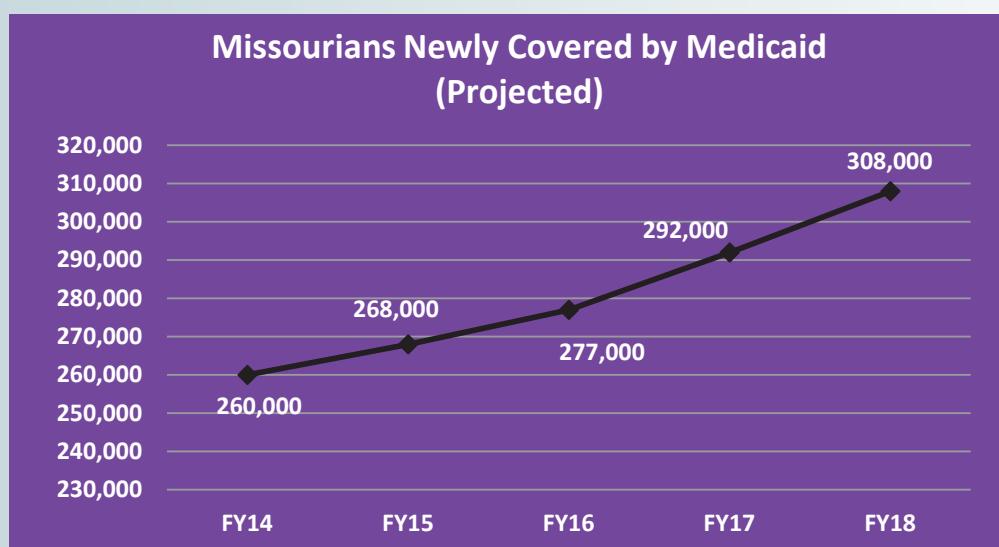
The state has a choice to put federal tax dollars to work in Missouri by covering more people through Medicaid or send Missouri tax dollars to other states. With federal funds covering 100 percent of the costs for the first three years, phasing down to 90 percent in 2020, Governor Nixon’s fiscally responsible approach will bring billions in federal dollars to Missouri – dollars that will create jobs and generate economic activity in every corner of the state. The savings and revenue generated will more than offset the cost to the state. A recent study by the University of Missouri found that the additional funding for health care will create 24,000 new



Governor Nixon announces his plan to provide health care coverage to additional Missourians at Truman Medical Center in Kansas City.

to find the best fit for Missouri by designing a health benefit that will include:

- An automatic expiration provision if the federal government fails to fund its share.
- Personal responsibility requirements.
- Incentives for wellness.
- Pay for performance for providers.
- Accountability measures for participating health care plans.



HEALTHY FAMILIES

Strengthening Missouri's Mental Health System

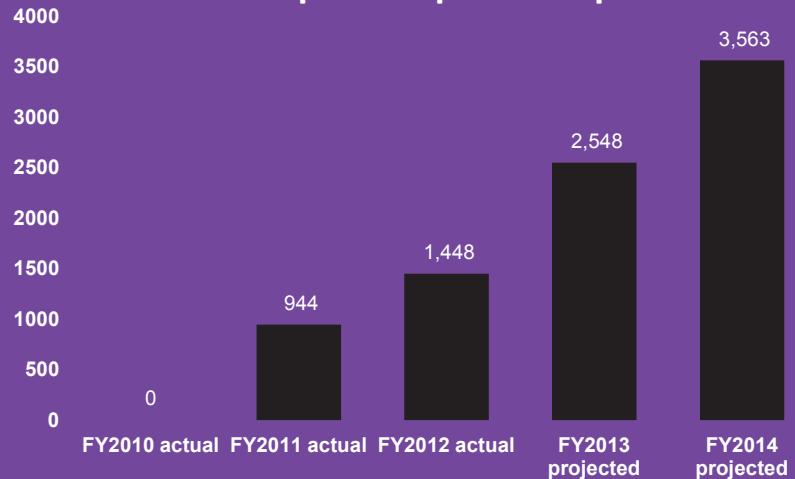
Recent tragedies have raised nationwide awareness of the need to address unmet mental health needs. Governor Nixon's Fiscal Year 2014 budget includes an additional \$10.1 million to:

- Expand Mental Health First Aid Training for educators, students, law enforcement, church leaders, employers and other key individuals to provide a basic understanding of mental illness and provide resources on how to respond.
- Contract with Community Mental Health Centers for liaisons across the state to work with law enforcement, courts, schools and families to improve coordination for people with mental illness and substance use disorders.
- Expand the National Alliance for Mental Illness Family-to-Family and Basics programs.
- Increase Crisis Intervention Training for law enforcement specific to mental health crisis situations.
- Fund projects to divert mental health patients from emergency rooms to specialized community care.

Partnership for Hope

The demand for home- and community-based services for individuals with developmental disabilities previously resulted in a large backlog of Missouri families waiting for help. In 2010, Governor Nixon announced the Partnership for Hope to provide families with services sooner than previously possible,

Partnership for Hope Participants



Governor Nixon and First Lady Nixon promote good health by being outdoors through the Children in Nature Challenge.

delaying or avoiding the need for residential or institutional care in many cases. The program will assist an estimated 2,500 individuals by the end of the current fiscal year. Governor Nixon's Fiscal Year 2014 budget includes an additional \$10.2 million to serve another 1,015 Missourians.



Governor Nixon meets with Partnership for Hope families in Rolla, Missouri.

Support for the Developmentally Disabled, Victims of Domestic Violence and Seniors

Governor Nixon has proposed the following funding in the Fiscal Year 2014 budget:

- \$26 million to add home- and community-based services for 735 individuals with developmental disabilities.
- \$1.9 million to increase capacity at shelters housing domestic violence victims by expanding transitional housing and enhancing residential and support services.
- \$1 million to provide additional home-delivered meals to senior citizens through the state's Area Agencies on Aging.

Accessing Child Care

Affordable child care is vital to parents' ability to remain in the workforce and ensure children will be successful in school. Currently, low-income parents and caretakers who are employed or participating in job training or educational activities are eligible to receive financial support to access affordable child care. Governor Nixon's budget includes an additional \$10.6 million to:

- Expand transitional child care so the families of 1,050 children receive this important benefit.
- Add a second level of transitional child care for 1,750 children.
- Increase rates for licensed and regulated child care providers.

DISASTER RECOVERY



Governor Nixon and top public safety officials meet with local leaders to coordinate natural disaster response efforts.

Since 2009, Governor Nixon has shown leadership in helping Missourians recover from natural disasters. With ten emergency declarations, Missouri communities and families have faced severe storms and tornados, unprecedented drought conditions and flooding across the heartland. Governor Nixon took immediate action to make sure his administration deployed people and resources to help those in need.

New Program Assists Missouri Farms during Unprecedented Drought

Extreme drought conditions in 2012 put many Missouri farms at risk of losing crops and livestock. At the request of Governor Nixon, all 114 Missouri counties received national disaster declarations from the U.S. Department of Agriculture to assist these farms and families with low-interest loans and other federal assistance.

The Governor led the state's response by taking immediate action to develop an emergency program providing urgent relief to farmers facing critical water shortages. The new emergency cost-share program:

- Funded more than 5,300 projects where immediate relief was needed.
- Provided more than \$21 million to drill new wells, deepen existing wells or undertake new projects to get water to livestock and crops — 90 percent of the eligible project costs.
- Partnered with rural electric cooperatives to expedite electrical connections to service water projects.

Severe Storms Tore through Missouri

Just nine months after one of the nation's worst tornadoes devastated a Missouri community, severe weather once again caused

casualties, numerous injuries and significant widespread damage across several southern communities, including Branson. Governor Nixon activated the State Emergency Operations Center and immediately began aiding local communities with the resources they needed.

In April 2012, Governor Nixon announced a \$16.5 million National Emergency Grant to help create more than 1,300 temporary jobs to assist with clean-up efforts.

“Yes, times have been tough. But Missourians have always been tougher.”
~ Governor Jay Nixon

Rebuilding a Missouri Community with the Joplin Habitat Challenge

One of the most devastating weather events in the nation's history struck on May 22, 2011, as an EF-5 tornado ripped through neighborhoods and businesses in Joplin. Last year, Governor Nixon established the Governor's 2012 Joplin Habitat Challenge, partnering with the Joplin Area Habitat for Humanity and Missouri's national athletic organizations to build new homes in Joplin. Volunteers completed 13 new homes and work continues on 22 more. More than 540 Missourians have partnered with 500 volunteers from the state's national sports organizations to provide nearly 3,000 hours of construction, painting and landscape work on homes.

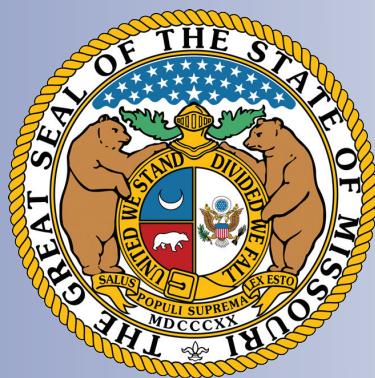
Flooding Support Continued in 2012

In 2011, Missouri communities experienced record flooding across the state due to water releases from upper-Missouri River reservoirs and a breach of the Birds Point levee in southeast Missouri. Immediate actions were taken to assist these communities, and that support continued in 2012.

Over \$6 million was provided for community development block grants to assist several Missouri towns and counties repair or replace roads, bridges, levees and other public infrastructure damaged or destroyed by devastating flood waters.



Governor Nixon and First Lady Nixon put siding on a Habitat for Humanity Home in Joplin, one of many built through the Governor's Joplin Habitat Challenge.



PRODUCED JANUARY 2013

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